

Message Text

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SUBJ: TANZANIA BUDGET MESSAGE FOR FY 1979

1. SUMMARY: MINISTER FOR FINACE AND PLANNING ON 15 JUNE PRESENTED REVIEW OF THE ECONOMY AND THE GOVERNMENT'S BUDGET PROPOSAL FOR FY 79 (JULY 1, 1978 - JUNE 30, 1979). MINISTER DESRIBED ECONOMY IN 1977 AS CONTINUING TO IMPROVE. GDP ROSE NEARLY 6 PERCENT IN REAL TERMS, FOOD CROP PRODUCTION WAS SUBSTANTIALLY GRGREATER THAN IN THE PREVIOUS YEAR, FOREIGN RESERVES STOOD AT \$250 MILLION AT THE END OF 1977. MINISTED NOTED BASIC DEFICIENCIES IN ECONOMY, FOR EXAMPLE, STAGNANT PRODUCTION OF AGRICULTURAL EXPORTS, INSUFFICIENT GROWTH IN INDUSTRIAL PRODUCTION AND SERIOUS PROBLEMS IN TRANSPORT AND CONSTRUCTION SECTORS. HE EXPRESSED CONCERN THAT RECURRENT BUDGET EXPENDITURE CONTINUES TO BE TOO HIGH, AVERAGING 20 PERCENT OF GDP. ANTICIPATED HIGHER IMPORTS AND DECLINING EXPORT EARNINGS IN 1978 WILL ERODE FOREIGN RESERVES WHICH WERE DOWN TO \$180 MILLION BY 30 MAY.

2. MINISTER INTRODUCED BUDGET ESTIMATES FOR FY 79 TALLING \$1552 MILLION, REPRESENTING A 29 PERCENT INCREASE OVER THE FY 78 ORIGINAL ESTIMATES AND 40 PERCENT INCREASE OVER REVISED ESTIMATES. GRANTS AND LOANS FROM FOREIGN AID DONORS TALLING A
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RECORD \$453 MILLION ARE AGAIN EXPECTED TO FINANCE DIRECTLY 60 PERCENT OF THE CAPITAL BUDGET. IN ADDITION, TANZANIA WILL LOOK FOR FOREIGN CONCESSIONAL LOANS TO COVER ONE-QUARTER OF THE ESTIMATED \$196 MILLION BUDGET DEFICIT. WAGE EARNERS WITH FAMILIES WILL RECEIVE INCOME TAX RELIEF WHILE CONSUMERS OF BEER, LIQUOR AND CIGARETTES WILL PAY HIGHER PRICES. END SUMMARY.

3. HIGHLIGHTS OF THE MINISTER'S STATE OF THE ECONOMY PORTION OF THE BUDGET SPEECH INCLUDE:

--- GDP IN CONSTANT TERMS INCREASED BY 5.9 PERCENT IN 1977 TO A TOTAL OF \$1330 MILLION (OR \$83 PERCAPITA). THIS COMPARES WITH INCREASES OF 5.2 AND 4.6 PERCENT IN 1976 AND 1975.

-- THE VALUE OF AGRICULTURAL PRODUCTION INCREASED BY 5.6 PERCENT IN 1977, WITH NON-MONETARY AGRICULTURE UP BY 6.8 PERCENT. COMMERCIAL PURCHASES OF ALL FOOD CROPS INCREASED WITH MAIZE UP BY 72 PERCENT. VOLUME OF COTTON, COFFEE AND TOBACCO PRODUCTION ALL DECLINED

IN 1977. TANGOV AND WORLD BANK ARE UNDERTAKING STUDY ON INCENTIVES FOR INCREASING CASH CROP PRODUCTION.

-- INDUSTRIAL GROWTH RATE DECLINED FROM 6.2 PERCENT IN 1976 TO 5.4 PERCENT IN 1977.

-- TOTAL GOVERNMENT BORROWING FROM DOMESTIC BANKS STOOD AT \$407 MILLION AT END OF 1977. DUE TO LARGE INCREASE IN CURRENT REVENUE, GOVERNMENT BORROWING HAS REMAINED MODEST IN FY 78.

-- TRADE DEFICIT IN 1977 WAS \$210 MILLION BUT INCREASES IN THE SERVICE AND TRANSFER ACCOUNTS REDUCED THE 1977 CURRENT ACCOUNT DEFICIT TO \$14.4 MILLION COMPARED TO ABOUT \$15 MILLION IN 1976. (THE MINISTER'S FIGURES FOR IMPORTS, EXPORTS AND TRADE DEFICIT AREA ALL HIGHER THAN RELEASED EARLIER BY MINISTRY OF TRADE - SEE DAR A-16).

-- NATIONAL CONSUMER PRICE INDEX ROSE BY 12 PERCENT AND THE DAR ES SALAAM COST OF LIVING INDEX BY 17 PERCENT DURING 1977.

-- INVESTMENT BY PUBLIC CORPORATIONS IN 1977 TOTALLED

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\$75.5 MILLION OR A 10 PERCENT INCREASE OVER THE PREVIOUS YEAR. THEIR PROFITS WERE UP 173 PERCENT TO A TOTAL OF \$148 MILLION.

4. ON THE INTERNATIONAL SIDE, MINISTER REITERATED TANZANIA'S CALL FOR A NEW ECONOMIC ORDER AND FOR LINKING CREATION OF SDRS TO TRANSFER OF RESOURCES TO DEVELOPING COUNTRIES. HE PRAISED DEBT-FORGIVENESS POLICIES OF SOME AID DONORS. COMMENTING ON THE DEMISE OF THE EAST AFRICAN COMMUNITY, THE MINISTER SAID FORMER COMMON MARKET WITH KENYA AND UGANDA IS DEAD AND THAT GOODS FROM THOSE COUNTRIES WILL BE SUBJECT TO REGULAR CUSTOMS DUTIES.

5. THE OUTLINE OF THE BUDGET FOR FY 79 FOLLOWS:

(IN MILLIONS OF U.S. DOLLARS)

A. EXPENDITURE	FY 79	FY 78(EST)	FY 78 (REVISED)
RECURRENT	580	658	686
CAPITAL	702	489	372
TOTAL	1552	1147	1058

B. REVENUE

(1) RECURRENT (DUTIES AND TAXES)	856	538.8	636
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(2) FOREIGN LOANS &

GRANTS TO DEV. PROJ. 453 268

(3) DOMESTIC BORROWING

(MONEY SUPPLY IS PLANNED TO
INCREASE BY 14PERCENT IN

1978) 145 168

(4) MISC. DOMESTIC

RECEIPTS 55

(5) SHORTFALL (TO BE FINANCED

BY STABEX AND PROGRAM LOANS FROM
EEC AND OPEC) 43 48.5

NOTE: EXCHANGE RATES USED

FY 79 - T.SHS. 7.9 - \$1

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FY78 - T.SHS. 8.3 - \$1

6X. DEVELOPMENT BUDGET WILL BE ALLOCATED AS FOLLOWS -

37.4 PERCENT FOR ECONOMIC INFRASTRUCTURE

29 PERCENT FOR INDUSTRY

20.8 PERCENT FOR SOCIAL INFRASTRURE AND DEFENSE

12.8 PERCENT FOR AGRICLURE AND OTHER DIRECTLY PRODUCTIVE.

7X. WE ARE POUCHING DEPT. COPIES OF MINISTER'S BUDGET SPEECH AND
WILL REPORT DETAILS OF THE BUDGET AS THEY BECOME AVAILABLE.
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